

Message Text

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E.O. 11652: N/A
TAGS: EGEN, PFOR, MEX
SUBJECT: COVERAGE OF G-77 CONFERENCE, MEXICO CITY --
BACKGROUND ON COLOMBO NAC

REF: STATE 219540

FOLLOWING COLOMBO 3123 SENT ACTION SECSTATE INFO NAC AUG 20:

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E.O. 11652: N/A
TAGS: EFIN, PFOR, PORC, CE
SUBJECT: MONETARY AND FINANCIAL RESULTS OF THE NON-ALIGNED
SUMMIT CONFERENCE

1. SUMMARY: AMONG CONCRETE NAC ECONOMIC PROPOSALS, SRI
LANKA'S CALL FOR CREATION FOR 3RD WORLD COMMERCIAL BANK
AND CURRENCY UNIT INDICATE LDC EFFORT TO ESTABLISH
SEPARATE MONETARY/FINANCIAL SYSTEM. EMBASSY WILL HOLD
FOLLOW-UP DISCUSSION WITH GSL ECONOMIC POLICY MAKES
TO GET MORE DETAILS. END SUMMARY.

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2. OF WELTER OF ECONOMIC PROPOSALS ISSUED BY NAC, THOSE RELATING

TO MONETARY AND FINANCIAL MATTERS ARE AMONG MORE AMBITIOUS AND CONCRETE. WHILE ECONOMIC DECLARATION SPEAKS IN GENERAL TERMS ABOUT NEED TO REFORM INTERNATIONAL MONETARY SYSTEM AND TO RESTRUCTURE EXISTING FINANCIAL INSTITUTIONS IN FAVOR OF DEVELOPING WORLD, THE ACTION PROGRAM PRESENTS SPECIFIC RECOMMENDATIONS AIMED AT ACHIEVING THESE GOALS.

3. ACTION PROGRAM RECOMMENDS COVENING OF STUDY GROUPS TO EXAMINE SRI LANKA'S PROPOSALS FOR CREATION OF A COUNTERVAILING CURRENCY BACKED BY ECONOMIC POTENTIAL OF NON-ALIGNED AND OTHER DEVELOPING COUNTRIES, AND FOR ESTABLISHMENT OF BANK OF DEVELOPED COUNTRIES TO UNDERTAKE COMMERCIAL AND MERCHANT BANKING ACTIVITIES. THESE TWO PROPOSALS WERE FIRST MADE PUBLIC IN PRIME MINISTER BANDARANAIKE'S OPENING SESSION SPEECH (COLOMBO 3001) AND ARE SUBJECT OF FIRST TWO RESOLUTIONS ISSUED BY NAC.

4. OCNRR
FURTHER CALLS FOR MEETING OF FINANCE MINISTRY AND CENTRAL BANK REPS TO CONSIDER JOINT INSTITUTION FOR PROMOTION OF LDC FINANCIAL AND MONETARY COOPERATION, OF DEVELOPING COUNTRIES PAYMENT UNION (DPU) USING ARTICLES OF AGREEMENT TO BE SUBMITTED BY EGYPT, AND OF ASSOCIATION OF COMMERCIAL BANKS OF DEVELOPING COUNTRIES TO EXCHANGE INFORMATION AND USE EACH OTHERS CURRENCIES.

5. INDIA AND INDONESIA WERE DESIGNATED CO-ORDINATING COUNTRIES WITH RESPONSIBILITY REPORT TO MINFIN AND CENTRAL BANK REPS ON WAYS TO FACILITATE GATHERING OF INFORMATION ON FINANCIAL FLOWS AND LDC CO-OPERATION POLICIES, OPERATION OF INTEREST SUBSIDY SCHEMES, CREATION OF INSTITUTIONAL LINKS TO PROMOTE FINANCING OF LARGE-SCALE PROJECTS, AND ADDITIONAL ARRANGEMENTS FOR EXPORT CREDIT AND GUARANTEES.

6. REGARDING MONETARY ARRANGEMENTS AMONG DEVELOPING COUNTRIES, PROGRAM RECOMMENDS NEW AND BETTER CLEARING ARRANGEMENTS, CREATION OF VARIOUS PAYMENTS ARRANGEMENTS OPEN TO ALL DEVELOPING COUNTRIES, AND HARMON-
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IZATION OF EXCHANGE RATE POLICIES TO PROMOTE MUTUAL TRADE. STUDIES ARE ALSO TO BE MADE TO DETERMINE MECHANISMS NECESSARY FOR CREATION OF LDC LIQUIDITY UNIT.

7. WITH REGARD TO PROBLEM OF LDC DEBT, PROGRAM STATES AGREEMENT MUST BE REACHED IN CIEC OR NON-ALIGNED COUNTRIES WILL CONVENE MINISTERIAL CONFERENCE WITH OTHER

DEVELOPING COUNTRIES IN FIRST HALF OF 1977 TO DECIDE ON APPROPRIATE AND UNITED ACTION BE PURSUED. PROGRAM CALLS FOR DEVELOPED COUNTRIES ACTION ON DEBT, INCLUDING CANCELLATION OF MSA COUNTRY DEBTS.

8. SUDI ARABIAN DEL ON ECONOMIC COMMITTEE TOLD EMBOFF THAT REGIONAL AND SUB-REGIONAL CLEARING SYSTEMS WOULD COME FIRST, TO BE FOLLOWED BY SIMILAR PAYMENTS UNIONS. ONLY AFTER PAYMENTS UNIONS HAVE SHOWN THEMSELVES TO BE SUCCESSFUL COULD THE POSSIBILITY OF LINKING OF UNIONS INTO A MORE FORMAL DPU BE CONSIDERED IN SAUDI VIEW. WITH REGARD TO PROPOSED NEW LDC CURRENCY, SAUDI INTERPRETED THIS AS JUST AN EFFORT TO USE SDR AS A DEVELOPMENT RESOURCE. LDCS ACCEPTED FACT THAT PRESENT WORLD LIQUIDITY SITUATION PRECLUDED CREATION OF MORE SDRS, BUT THEY WISHED TO ASSURE THAT ANY FUTURE CREATION WOULD BE LINKED TO DEVELOPMENT EFFORT.

9. COMMENT: IN COMPARISON WITH 1973 ACTION PROGRAM PRODUCED BY ALGIERS SUMMIT, THIS ONE HAS SOME INTERESTING NEW DEVELOPMENTS IN THE MONETARY/FINANCIAL FIELD. THE PROPOSALS FOR A THIRD WORLD BANK AND CURRENCY, WHILE VERY AMBITIOUS AND, PERHAPS, UNREALIZABLE, REFLECT GROWING UNHAPPINESS OF DEVELOPING COUNTRIES WITH EXISTING MONETARY/FINANCIAL SYSTEM AND INDICATE AN EFFORT TO CREATE THEIR OWN, COMPETING SYSTEM. AS THESE EFFORTS WILL DEPEND VERY HEAVILY ON OPEC FINANCING, IT WILL REMAIN TO BE SEEN HOW FAR THEY GET OFF THE GROUND. WHEN SRI LANKAN ECONOMIC POLICY MAKERS RECOVER FROM NAC EXERTIONS, WE WILL TRY TO GET MORE DETAILS ON THOUGHTS BEHIND THESE PROPOSALS AND THEIR VIEWS ON FUTURE PROSPECTS. REED UNQUOTE KISSINGER

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